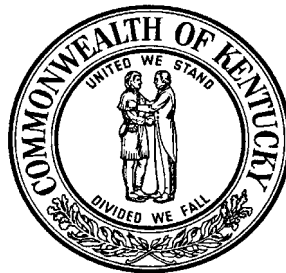


**REPORT OF THE AUDIT OF THE
MONROE COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES**

April 28, 2006



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**105 SEA HERO ROAD, SUITE 2
FRANKFORT, KY 40601-5404
TELEPHONE 502.573.0050
FACSIMILE 502.573.0067**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
MONROE COUNTY
SHERIFF'S SETTLEMENT - 2005 TAXES

April 28, 2006

The Auditor of Public Accounts has completed the audit of the Sheriff's Settlement - 2005 Taxes for Monroe County Sheriff as of April 28, 2006. We have issued an unqualified opinion on the financial statement taken as a whole. Based upon the audit work performed, the financial statement is presented fairly in all material respects.

Financial Condition:

The Sheriff collected taxes of \$2,468,376 for the districts for 2005 taxes, retaining commissions of \$96,081 to operate the Sheriff's office. The Sheriff distributed taxes of \$2,368,400 to the districts for 2005 Taxes. Refunds of \$543 are due to the Sheriff from the taxing districts.

Deposits:

The Sheriff's deposits were insured and collateralized by bank securities.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Wilbur Graves, Monroe County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Independent Auditor's Report

We have audited the Monroe County Sheriff's Settlement - 2005 Taxes as of April 28, 2006. This tax settlement is the responsibility of the Monroe County Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Sheriff's Tax Settlements issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the Monroe County Sheriff's taxes charged, credited, and paid as of April 28, 2006, in conformity with the modified cash basis of accounting.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
John R. Farris, Secretary
Finance and Administration Cabinet
Honorable Wilbur Graves, Monroe County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Members of the Monroe County Fiscal Court

In accordance with Government Auditing Standards, we have also issued our report dated July 19, 2006 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 19, 2006

MONROE COUNTY
JERRY GEE, COUNTY SHERIFF
SHERIFF'S SETTLEMENT - 2005 TAXES

April 28, 2006

	<u>County Taxes</u>	<u>Special Taxing Districts</u>	<u>School Taxes</u>	<u>State Taxes</u>
<u>Charges</u>				
Real Estate	\$ 214,486	\$ 467,969	\$ 965,185	\$ 319,291
Tangible Personal Property	26,376	54,097	105,503	87,609
Intangible Personal Property				24,202
Fire Protection	1,733			
Franchise Corporation	35,256	72,945	144,354	
Additional Billings	44	97	200	66
Oil and Gas Property Taxes	11	25	51	17
Limestone, Sand, and Mineral Reserves	102	455	461	152
Penalties	2,286	4,942	10,157	3,508
Adjusted to Sheriff's Receipt	<u>(23)</u>	<u>6</u>	<u>(11)</u>	<u>(4)</u>
Gross Chargeable to Sheriff	<u>280,271</u>	<u>600,536</u>	<u>1,225,900</u>	<u>434,841</u>
<u>Credits</u>				
Exonerations	597	1,296	2,662	1,065
Discounts	3,591	7,725	15,827	6,637
Delinquents:				
Real Estate	3,297	7,183	14,815	4,901
Tangible Personal Property	53	109	212	239
Uncollected Franchise	<u>393</u>	<u>844</u>	<u>1,726</u>	
Total Credits	<u>7,931</u>	<u>17,157</u>	<u>35,242</u>	<u>12,842</u>
Taxes Collected	272,340	583,379	1,190,658	421,999
Less: Commissions *	<u>11,862</u>	<u>24,324</u>	<u>41,673</u>	<u>18,222</u>
Taxes Due	260,478	559,055	1,148,985	403,777
Taxes Paid	260,103	558,300	1,147,478	402,519
Refunds (Current and Prior Year)	<u>419</u>	<u>852</u>	<u>1,703</u>	<u>1,464</u>
Refunds Due Sheriff		**		
as of Completion of Fieldwork	<u>(44)</u>	<u>\$ (97)</u>	<u>\$ (196)</u>	<u>\$ (206)</u>

* and ** See Next Page

The accompanying notes are an integral part of this financial statement.

MONROE COUNTY
 JERRY GEE, COUNTY SHERIFF
 SHERIFF'S SETTLEMENT - 2005 TAXES
 April 28, 2006
 (Continued)

* Commissions:

10% on	\$	10,000
4.25% on	\$	1,079,731
4% on	\$	187,987
3.5% on	\$	1,190,658

** Special Taxing Districts:

Library District	\$	(19)
Health District		(20)
Extension District		(20)
Soil Conservation District		(8)
Ambulance District		(30)
		<hr/>
Refunds Due Sheriff	\$	<u>(97)</u>

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT

April 28, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

The Sheriff's office tax collection duties are limited to acting as an agent for assessed property owners and taxing districts. A fund is used to account for the collection and distribution of taxes. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

B. Basis of Accounting

The financial statement has been prepared on a modified cash basis of accounting. Basis of accounting refers to when charges, credits, and taxes paid are reported in the settlement statement. It relates to the timing of measurements regardless of the measurement focus.

Charges are sources of revenue that are recognized in the tax period in which they become available and measurable. Credits are reductions of revenue that are recognized when there is proper authorization. Taxes paid are uses of revenue that are recognized when distributions are made to the taxing districts and others.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Deposits

The Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The Sheriff does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of December 31, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

MONROE COUNTY
NOTES TO FINANCIAL STATEMENT
April 28, 2006
(Continued)

Note 3. Tax Collection Period

A. Property Taxes

The real and personal property tax assessments were levied as of January 1, 2005. Property taxes were billed to finance governmental services for the year ended June 30, 2006. Liens are effective when the tax bills become delinquent. The collection period for these assessments was October 31, 2005 through April 28, 2006.

Note 4. Interest Income

The Monroe County Sheriff earned \$2,706 as interest income on 2005 taxes. The Sheriff distributed the appropriate amount to the school district as required by statute, and the remainder will be used to operate the Sheriff's office. As of July 19, 2006, the Sheriff owed \$18 in interest to the school district and \$3 in interest to his fee account.

Note 5. Sheriff's 10% Add-On Fee

The Monroe County Sheriff collected \$16,099 of 10% add-on fees allowed by KRS 134.430(3). This amount will be used to operate the Sheriff's office.

Note 6. Advertising Costs And Fees

The Monroe County Sheriff collected \$405 of advertising costs and \$1,370 of advertising fees allowed by KRS 424.330(1) and KRS 134.440(2). The Sheriff will distribute the advertising costs to the county as required by statute, and the advertising fees will be used to operate the Sheriff's office. As of July 19, 2006, the Sheriff owed \$405 in advertising costs to the county and \$1,370 in advertising fees to his fee account.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Wilbur Graves, Monroe County Judge/Executive
Honorable Jerry Gee, Monroe County Sheriff
Members of the Monroe County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Monroe County Sheriff's Settlement - 2005 Taxes as of April 28, 2006, and have issued our report thereon dated July 19, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Monroe County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Monroe County Sheriff's Settlement - 2005 Taxes as of April 28, 2006 is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
July 19, 2006

